COMMONWEALTH OF VIRGINIA

DEPARTMENT OF MEDICAL ASSISTANCE SERVICES

FAMIS MOMS

Data Book and Capitation Rates

Fiscal Year 2008

Submitted by:

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June 2007

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June 27, 2007

Mr. William Lessard
Department of Medical Assistance Services
600 East Broad Street, Suite 1300
Richmond, VA 23219

Dear Bill:

Re: FY 2008 FAMIS MOMS

Data Book and Capitation Rates

The enclosed report provides a description of the methodology used to develop the capitation rates for the FAMIS MOMS program. The methods used for calculating this revision are consistent with Centers for Medicare and Medicaid Services requirements that the capitation rates be actuarially sound and appropriate for the population covered by the program. Per instructions from CMS, the FAMIS MOMS program is considered a FAMIS Title XXI S-CHIP expansion and does not require actuarial certification.

Please call Sandra Hunt at 415/498-5365 if you have any questions regarding these capitation rates.

The development of these rates was overseen by Sandra Hunt, Principal, Susan Maerki, Project Manager, and Peter Davidson, Lead Actuary.

Very Truly Yours,
PricewaterhouseCoopers LLP

Sandra S. Hunt

By: Sandra S. Hunt, M.P.A.
Principal

Susan C Maerki

Susan Maerki, M.H.S.A., M.A.E.
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Virginia Medicaid

FAMIS MOMS

Data Book and Proposed Capitation Rates

Fiscal Year 2008

Prepared by PricewaterhouseCoopers LLP

June 2007

PricewaterhouseCoopers LLP (PwC) has calculated proposed FY 2008 capitation rates for the FAMIS MOMS program. The Centers for Medicare and Medicaid Services (CMS) approved the HIFA waiver submitted by Virginia Department of Medical Assistance Services (DMAS) to expand the FAMIS program to cover pregnant women. Applications for FAMIS MOMS were accepted starting August 1, 2005 with the first effective enrollment date possible for managed care plans on September 1, 2005.

I. Background

Authorization and Program Description

The 2004-2005 Virginia Legislature has budgeted funding for a program "to expand prenatal care, pregnancy-related services, and 60 days of post-partum care under FAMIS to an estimated 380 pregnant women who are over the age of 19 with annual family income less than or equal to 150 percent of the federal poverty level". It is also expected that a small number of women, aged 10 to 19, who are not eligible and enrolled in FAMIS, may qualify for the program when they become pregnant.

DMAS expanded eligibility for the FAMIS MOMS program in August 2006 from 150% FPL up to 166% and plans a second expansion on July 1, 2007 from 166% up to 185% FPL. This expansion is estimated to increase the number of eligible pregnant woman to approximately 1,000 over the next year.

DMAS, as the agency responsible for implementing the program, interprets the legislative intent of FAMIS MOMS to provide full Medicaid benefits for pregnant women from 133% FPL to 185% FPL through the S-CHIP program. Full Medicaid benefits for pregnant women are all services, except dental, and will include non-emergency transportation, which is not a covered benefit for FAMIS children. Pregnant women who are under 21 will also be eligible for EPSDT-related services. The provision of full Medicaid benefits also means that, in contrast to the FAMIS program for children,

there will be no co-payments for services. Eligibility will begin with a determination of pregnancy and income verification and will continue through the month of delivery, plus an additional two months.

Eligible women will be enrolled in managed care plans wherever possible. If a woman's fee-for-service (FFS) OB-GYN participates with one of the available managed care organizations (MCO), DMAS will transition her into that MCO to provide continuity of care. However, similar to Medicaid rules, a woman can opt out of an MCO if she is in her last trimester and her regular OB-GYN does not participate with the MCO.

II. Data Book

Approach to Rate Setting for FAMIS MOMS

Because the FAMIS MOMS program began in August 2005, the full two-year data period of cost and utilization information for FAMIS MOMS enrollees is not yet available. PwC has used available health plan encounter and claims data for the TANF population to develop rates for FAMIS MOMS. DMAS FFS data for the Primary Care Case Management (PCCM) population was not analyzed. We believe the health plan data provides the most appropriate view of expected costs for the women enrolled in this program.

In developing proposed capitation rates, a key consideration is the method by which women will be enrolled in the health plan and the potential variation in the length of plan enrollment. A very small difference in the average length of plan enrollment can have a material difference in capitation rate, since most of the cost is incurred at the time of delivery and is not evenly spread over the entire pregnancy and eligibility period.

An analysis conducted for the FY 2006 rate setting period examined two subsets of pregnant women enrolled in the health plans.

1. Program Designation Code 91: A person in PD91 is a pregnant woman between ages 10 - 57 or a Medically Indigent Child under 6 with income <=100% of the Federal Poverty Level. The data selection was limited to the adult females only and matched their Medicaid IDs to all claims within the historical data period. A person-specific analysis was used to derive the distribution of eligibility in Medicaid FFS and in the MCO.

2. Other TANF Pregnant Women: In addition to PD91 women, there was a separate analysis of other pregnant women in TANF to determine whether the PMPM cost was similar to the PD91 population. Analysis found that the cost is much lower largely because the average length of health plan enrollment is nearly three times as long.

This difference in average length of enrollment supported the conclusion that the PD91 aid category, by itself, is the most appropriate population to use for FAMIS MOMS rate setting. The PD91 historical data was also reviewed for differences in cost and utilization for the populations Under 21 and Over 21 years of age. Differences between the two populations, including EPSDT services, were considered insignificant. Therefore, the historical data was combined for the total PD91 population, age 10 and over.

Summary of FAMIS MOMS Historical Data

In general, FY 2008 FAMIS MOMS rates have been developed in a manner that is similar to the FY 2008 FAMIS child rate development and take into consideration adjustments developed for the TANF Medallion II FY 2008 rate setting.

The following sources were used for the FAMIS MOMS rate setting calculations:

- Eligibility information from the Department of Medical Assistance Services (DMAS);
- Health plan claims/encounter data for their TANF PD91 population;
- For some components of the analysis, health plan financial data; and
- For some components of the analysis, other health plan administrative data.

The historical data period is FY 2005 and FY 2006 which covers services incurred during the period July 1, 2004 to June 30, 2006. These data reported services paid during this two-year period and additional run out for the first four months of FY 2007, to the end of October 2006.

Supplemental health plan data are used for certain portions of the analysis. Specifically, we incorporated health plan data on:

- Observed trends in utilization and cost per unit of service;
- Capitation arrangements with subcontractors;
- Supplemental payments, such as physician incentives and case management fees, not reflected in the encounter data;
- Prescription drug purchasing arrangements; and
- Health plan administrative costs.

The service categories are those that were developed for the FY 2005 rate setting and further modified for FY 2006. There have been no changes to the service category

definitions for FY 2008. These service categories are primarily defined by bill type, CPT, and revenue code fields in the claims records.

In this summarization process, unit counts were made for each service category. Table 1, Service Unit Definitions, describes the types of units that were counted for each detailed service category. In the table, "Units" indicates the actual unit counts that were recorded on each claim. "Claims" or "Prescriptions" or "Record Counts" refers to a count of "1" for each claim record in the historical database. This count is used for services in which recorded units are not meaningful, such as for pharmacy where the units recorded are often the number of pills dispensed. "Admits" are used for inpatient units, and represent the number of inpatient admits that were paid by the program.

Table 1
Service Unit Definitions

Service Category	Unit Count	Multiple Units
DME/Supplies	Claims	
FQHC/RHC	Units	Yes
Home Health Services	Claims	
Inpatient – Maternity	Admits	
Inpatient – Newborn	Admits	
Inpatient – Other Med/Surg	Admits	
Inpatient – Psych	Days	
Lab	Record Count	
Outpatient – Emergency Room	Claims	
Outpatient – Other	Claims	
Pharmacy	Prescriptions	
Professional – Anesthesia	Units	Yes
Professional – Child EPSDT	Units	Yes
Professional – Evaluation & Management	Units	Yes
Professional – Maternity	Units	Yes
Professional – Other	Units	Yes
Professional – Psych	Units	Yes
Professional – Specialist	Units	Yes
Professional – Vision	Units	Yes
Radiology	Record Count	Yes
Transportation	Claims	

The claims and eligibility information used in this report includes data only for Medicaid recipients who are eligible for the program based on their PD91 aid category and service use during the data period.

Inclusion of Capitated and Subcontractor Services

The majority of the encounter records submitted by each of the health plans were paid under fee-for-service arrangements. The records included both charged and paid amounts and could be readily analyzed.

However, each health plan also had services that were paid, in part or in full, under capitation or subcontractor arrangements. For these services, health plans submitted data in a variety of forms. Each health plan provided a list of services that were provided under such arrangements and the pricing of the services on a PMPM basis. The PMPM amount represented either the actual contractual PMPM paid, or the contractual total dollar payments divided by the covered member months for the time period.

Behavioral and Mental Health Capitated Subcontractor Services

Capitation payments for behavioral and mental health services were distributed differently than other reported capitated services. Health plans report mental health services both as FFS paid claims and as capitation amounts for contracted services. In past rate settings, FFS claims were applied to the appropriate inpatient or professional psych service line, but all capitated dollars were included in the Prof - Psych service line with dollars allocated based on the member month distribution between aid categories.

For the health plans that capitate psych services (CareNet, Optima, and UniCare), the capitated mental health data is provided as total dollars or an aggregate PMPM with limited detail by service type (inpatient vs. professional) or aid category (ABAD vs. TANF).

We analyzed mental health claims level detail provided by three plans that do not capitate, Anthem (including UniCare since January 2006), Virginia Premier, and AmeriGroup, by service type and aid category to determine a distribution to the approximately 52% of mental health dollars represented by the plans that capitate mental health services.

Analysis of the MCO mental health encounter data showed substantial differences in the total PMPM between ABAD and TANF and the distribution of inpatient and outpatient services within each major aid category. Overall, the historical encounter paid claims showed the ABAD mental health PMPM was approximately ten times the TANF mental health PMPM, or $32.83 PMPM compared to $3.70 PMPM. For ABAD, the distribution of dollars was 77.2% inpatient and 22.8% professional while the TANF distribution was 47.0% inpatient and 53.0% professional.

The factors developed for the overall TANF population were used for the TANF PD91 population and were applied to the mental health capitation payments to modify the individual data reports for the three health plans that capitate mental health services. The modified reports were then aggregated for the historical data.

III. Adjustments

The TANF historical data from each health plan for the PD91 population was processed separately and then combined into an All Health Plan Historical Data file. This data is presented in Exhibit 1 and then adjusted for policy and program changes

Pharmacy Adjustment

This is an adjustment to outpatient pharmacy to reflect the average health plan PBM arrangements. The pharmacy adjustment uses Medallion II TANF pharmacy costs and the health plan PBM discounts, rebates, dispensing fees, and PBM administration fees are applied. These rates do not include a co-payment factor because the FAMIS MOMS program follows Medicaid rules that preclude application of co-payments to pregnant women. For FY 2008, there is no reduction to reflect expected improvements in the brand-generic mix. This is a change from the 1.5% reduction applied in the FY 2007 rate setting process. Review of the brand-generic mix of prescription drugs showed increasing use of generic drugs and the attained generic proportion, approximately 60% of the prescriptions, is similar to that observed as best practice in other state Medicaid managed care programs.

The adjustment is shown in Exhibit 2a and applied to the total historical claims data in Exhibit 4 under the column labeled “Other Adjustments”.

OB-GYN Professional Fee Increase Adjustment

This adjustment incorporates two months of the 34% fee increase adjustment effective September 1, 2004 and applies it to approximately 6% of historical claims prior to that date. It also includes the OB-GYN 2.5% professional fee increase applied to health plan rates effective July 1, 2006. The cumulative impact of these two rate increases is an adjustment of 4.7% for the Professional-Maternity service line and a lower amount for three other service lines, FQHCs/RHCs, Professional-Specialist, and Radiology.

Adjustment values by service categories are shown in Exhibit 2b. These adjustments are applied to the total historical claims data in Exhibit 4 under the column labeled “Other Adjustments”.

ER Professional Fee Increase Adjustment

The adjustment passes through the 3% FFS increase for ER professional services applied to health plan rates effective July 1, 2006. Because this fee increase was not in place for the historical data periods, the increase is applied to the full base period.

The adjustment is shown in Exhibit 2c and applied to the total historical claims data in Exhibit 4 under the column labeled "Other Adjustments".

Evaluation and Management Professional Fee Increase Adjustment

The adjustment passes through the 5% FFS fee increase for both pediatric and adult evaluation and management services, plus an additional 5% for pediatric evaluation and management services that were effective July 1, 2006. The increases are applied to the entire historical data period. There is a further 10% increase for pediatric services with an effective date of July 1, 2007. Emergency Department codes are excluded from these increases.

This adjustment is shown in Exhibit 2d and is applied to Professional-E&M and FQHC/RHC services lines in Exhibit 4 under the column labeled "Other Adjustments".

Professional Fee Increase Adjustment (Excluding Pediatric and OB-GYN)

The adjustment passes through the FFS increase of 5% for all remaining professional services effective July 1, 2007. This increase excludes pediatric E&M and the OB-GYN services that were subject to increases in the fee schedule that are incorporated as previously described adjustments.

This adjustment is shown in Exhibit 2e and is applied to Professional-E&M, Professional-Specialist and All Other Professional service lines in Exhibit 4 under the column labeled "Other Adjustments".

Exempt Infant Formula Carveout Adjustment

DMAS is altering its policy regarding reimbursement of selected formula for infants with diseases of inborn errors of metabolism and will now request direct billing for those services. The health plans have referred members to the Woman, Infants, and Children (WIC) program for these services, but have paid for members after the WIC maximum is reached. This adjustment removes the amount that the health plans pay for selected formulas after children up to age 19 have met the WIC cap. For FY 2007, the exempt formula adjustment was applied to children up to age 6; for FY 2008, it is applied to all children up to age 19. DMAS provided a list of HPICS codes to identify these services.

The value of these services has been removed for TANF PD91 enrollees of age 10 up to age 19 and is shown in Exhibit 2f. It is applied to the DME/Supplies service line in Exhibit 4 under the column labeled "Other Adjustments".

Other Immunizations

The Center for Disease Control and Prevention (CDC) has issued updated and new recommendations for pediatric and adolescent immunizations. The recommendation that affects the PD91 population used in this rate setting is the meningococcal vaccine, which is recommended for all children at the 11-12 year old visit, as well as for unvaccinated

adolescents at high school entry (15 years of age). The adjustment assumes that: 1) The new recommendations can be accommodated within the current pediatric and adolescent vaccination schedules and new costs include both serum and administration, and 2) Health plans will achieve compliance rates comparable to those reported to DMAS on the EQRO reports (34.5% for adolescents). Based on these assumptions, we estimate an adjustment of 0.4% increase.

This adjustment is shown in Exhibit 2g and is applied to the Professional-E&M service line in Exhibit 4 under the column labeled "Other Adjustments".

HPV Vaccine Adjustment

The CDC recommends that females beginning at age 9 receive the human papillomavirus (HPV) vaccine that has been demonstrated to reduce the risk of the most common causes of cervical cancer. For girls aged 9 to 19, DMAS and the health plans will be responsible for the cost of the serum and administration; for women aged 20 to 26, cost of the serum and administration will be covered if a prescription is written. The DMAS Medicaid program began to cover the HPV vaccine in December 2006. The vaccine will be mandatory for girls who are at least 11 years old entering school beginning September 1, 2008. For FAMIS MOMS females aged 19 and under, the target penetration is assumed to be 25% with a serum cost of $120 and an administration cost of $11 for each of the three doses in the HPV series. For women aged 20 to 26, the target penetration is assumed to be 6.3% at a cost that includes vaccine administration, serum cost, and one physician office visit to obtain the required prescription.

This adjustment is shown in Exhibit 2h and is applied to the Professional-E&M service line in Exhibit 4 under the column labeled "Other Adjustments".

Hospital Inpatient Adjustments

The adjustment factor is calculated relative to the 71.9% cost base that was in place for FY 2005. For medical/surgical inpatient services, this was increased to 76.0% for FY 2006 and then further increased to 78.0% for FY 2007. The inpatient cost factor remains at 78.0% for FY 2008. The adjustment is developed using the increase from 71.9% to 78.0% of cost and is adjusted for a capital component estimated at 10.8%.

There is a separate adjustment for inpatient psychiatric services. The inpatient psychiatric factor is developed using the increase from 71.9% in FY 2005 to an 84.0% cost factor for FY 2008 and also assumes a capital cost component of 10.8%. The inpatient psychiatric factor is applied to mental health claims that are submitted with encounter detail and the allocated inpatient dollars of the behavioral health capitation payments.

These adjustment factors are shown in Exhibit 2i and applied to all hospital inpatient service categories in Exhibits 4 under the column labeled "Other Adjustments".

Rural Wage Index Adjustment

This adjustment eliminates the rural wage index hospital factor. DMAS provided estimates of the value of the increase for the two regions that are affected, Other MSA, and Rural. Because FAMIS MOMS rates are developed at the statewide level, an adjustment factor was calculated based on a ratio of the estimated increase and the statewide Medallion II Inpatient-Other service line.

This adjustment factor is shown in Exhibit 2j and applied to the Inpatient-Other service category in Exhibit 4 under the column labeled "Other Adjustments".

Provider Incentive Adjustment

This adjustment was calculated in the same manner as for the Medallion II and FAMIS program and is presented as the percentage value of the case management and provider incentive payments that are paid separately from the encounter data. The value of the FAMIS MOMS incentive is $4.02 PMPM. Because of the relatively large value of the FAMIS MOMS PMPM, this is equal to 0.5% of the actual adjusted and trended average medical cost across all age categories. This percentage is shown in Exhibit 2k and is presented as the dollar value applicable to rate cell in the line labeled Provider Incentive Payment Adjustment in Exhibit 4.

Plan Administration Adjustment

The plan administrative adjustment for the FAMIS MOMS program is calculated similarly to the Medallion II Medicaid managed care and FAMIS programs. Each health plan provided revenue and administrative cost data for calendar year 2006, consistent with the information provided to the Virginia Bureau of Insurance on the required form entitled Analysis of Operations by Lines of Business, and as necessary, notes to interpret the financial figures. We also received the Underwriting and Investment Exhibit, Part 3, Analysis of Expenses. Plans were asked to provide additional detail on the portion of state income taxes that were allocated as administrative expense to the Medicaid and FAMIS lines of business and those dollars were excluded from the calculation.

For calendar year 2006, we calculated that plans are spending 8.63% of their capitation revenue to cover administrative expenses. If the administration percentage for calendar 2006 is applied to the projected capitation payments for the 2008 fiscal year, it results in a decrease in the PMPM dollar value of administrative expenses compared to the prior fiscal year. This is due to a decrease in the FY 2008 FAMIS MOMS capitation rate. In order to ameliorate this effect, the 8.63% administrative percentage from calendar year 2006 was applied to the fiscal 2007 FAMIS MOMS capitation rates to determine the administrative expense per member per month if rates were held constant for the 2008 fiscal year. This results in an administrative expense percentage of 8.87% for the upcoming fiscal year, as shown in Exhibit 2l.

This adjustment factor is applied in the final step of the per capita cost calculations on Exhibit 4.

IBNR and Trend Adjustment

IBNR factors and trend adjustments have been developed by examining the TANF PD91 data, taking into consideration the trend rates that were developed for the TANF Under 21 and Over 21 population in Medallion II rate setting.

We observed declines in utilization rates for the PD91 population across all service categories during the historical data period and this has been incorporated into that component of the trend. This might be explained by an increase in the average length of enrollment of the pregnant women, but more detailed analysis was inconclusive. For the contract period, the utilization trend component was set to zero and primarily reflects projection of the cost trend.

The resulting trend factors are shown in Exhibit 3. These trend and IBNR factors are applied to the historical data in Exhibit 4 by applicable service category.

IV. FAMIS MOMS Rates

The historical data presented in Exhibit 1 is adjusted by the factors shown in Exhibits 2a through 2l and the Trend and IBNR factors in Exhibit 3. The result of these calculations is shown in Exhibit 4.

FY 2008 FAMIS MOMS rate is presented in Exhibit 5a. Unlike the FAMIS program, there is no adjustment for co-payments. Comparison to the FY 2007 FAMIS MOMS rate is presented in Exhibit 5b.

Overall, the FY 2008 rates show a proposed capitation payment of $877.30, which is 2.72% lower than the FY 2007 capitation rate.

Virginia Medicaid

Exhibit 1

FY 2008 Capitation Rate Development for FAMIS Moms Program
Health Plan Encounter Data
Historical Eligibility, Claims and Utilization - Program Designation 91

Age 10 and Over Female												
Statewide	Raw Claims FY05	Raw Claims FY06	Capitation FY05	Capitation FY06	Unadjusted PMPM 05	Unadjusted PMPM 06	Units FY05	Units FY06	Units/1000 FY05	Units/1000 FY06	Cost/Unit FY05	Cost/Unit FY06
Member Months	107,190	124,546										
Service Type												
DME/Supplies	$148,611	$140,275	$0	$0	$1.39	$1.13	1,270	1,564	142	151	$117.02	$89.69
FQHC / RHC	$586,848	$741,690	$0	$0	$5.47	$5.96	9,192	10,628	1,029	1,024	$63.84	$69.79
Home Health	$200	$175	$0	$0	$0.00	$0.00	2	3	0	0	$100.00	$58.33
IP - Maternity	$31,419,848	$37,999,896	$0	$0	$293.12	$305.11	13,843	15,104	1,550	1,455	$2,269.73	$2,515.88
IP - Newborn	$445,552	$612,389	$0	$0	$4.16	$4.92	120	200	13	19	$3,712.93	$3,061.94
IP - Other	$768,851	$1,299,401	$0	$0	$7.17	$10.43	222	265	25	26	$3,463.29	$4,903.40
IP - Psych	$65,754	$128,316	$111,033	$104,267	$1.65	$1.87	193	327	22	32	$915.99	$711.26
Lab	$701,172	$773,043	$77,954	$91,932	$7.27	$6.95	101,294	116,300	11,340	11,205	$7.69	$7.44
OP - Emergency Room	$1,077,319	$1,451,283	$0	$0	$10.05	$11.65	4,757	5,426	533	523	$226.47	$267.47
OP - Other	$8,088,229	$9,698,662	$0	$0	$75.46	$77.87	31,809	35,649	3,561	3,435	$254.27	$272.06
Pharmacy	$2,964,699	$3,538,905	$0	$0	$27.66	$28.41	103,768	119,778	11,617	11,541	$28.57	$29.55
Prof - Anesthesia	$2,947,838	$3,229,213	$0	$0	$27.50	$25.93	12,755	13,915	1,428	1,341	$231.11	$232.07
Prof - Child EPSDT	$111,314	$137,829	$0	$0	$1.04	$1.11	11,869	14,247	1,329	1,373	$9.38	$9.67
Prof - Evaluation & Management	$3,751,914	$4,105,691	$111,317	$74,261	$36.04	$33.56	71,573	74,429	8,013	7,171	$53.98	$56.16
Prof - Maternity	$16,767,656	$19,626,154	$0	$0	$156.43	$157.58	34,290	39,725	3,839	3,827	$489.00	$494.05
Prof - Other	$895,914	$1,045,733	$14,091	$13,749	$8.49	$8.51	45,604	69,250	5,105	6,672	$19.95	$15.30
Prof - Psych	$70,395	$90,592	$124,919	$117,307	$1.82	$1.67	2,389	2,714	267	261	$81.76	$76.60
Prof - Specialist	$1,182,384	$1,499,757	$0	$0	$11.03	$12.04	13,886	15,204	1,555	1,465	$85.15	$98.64
Prof - Vision	$10,646	$11,573	$76,577	$93,312	$0.81	$0.84	1,318	1,184	148	114	$66.18	$88.58
Radiology	$2,204,486	$2,636,603	$0	$0	$20.57	$21.17	30,672	36,499	3,434	3,517	$71.87	$72.24
Transportation/Ambulance	$275,076	$323,777	$141,434	$230,739	$3.89	$4.45	12,266	14,702	1,373	1,417	$33.96	$37.72
Total	$74,484,706	$89,090,956	$657,326	$725,567	$701.01	$721.15	503,092	587,113				

Virginia Medicaid

Exhibit 2a

FY 2008 Capitation Rate Development for FAMIS Moms Program
Health Plan Encounter Data - Program Designation 91
Pharmacy Adjustment

		TANF	Source
1.	Health Plan Total Drug Cost PMPM	$22.44	FY05-FY06 Health Plan Encounter Data
2.	Health Plan Drug Ingredient Cost PMPM	$21.47	Health Plan Encounter Analysis
3.	Change in Average Managed Care Discount	0.1%	From Plan Data
4.	Average Managed Care Rebate	4.4%	From Plan Data
5.	Average Managed Care Dispensing Fee per Script	$1.97	From Plan Data
6.	Average PBM Admin Cost PMPM	$0.10	From Plan Data
7.	Adjusted PMPM with FY08 Pharmacy Pricing Arrangements	$21.60	= (2.) * (1 - (3.)) * (1 - (4.)) + ((5.) * scripts / MM) + (6.)
8.	**Pharmacy Adjustment**	**-3.7%**	= (7.) / (1.) - 1

Virginia Medicaid

Exhibit 2b

FY 2008 Capitation Rate Development for FAMIS Moms Program
Health Plan Encounter Data - Program Designation 91
OB-GYN Professional Fee Increase Adjustment

			TANF Age 10 and Over	Source
1.	Claims Associated with OB/GYN Procedure Codes	a. Prof - Maternity	$36,389,768	FY05-FY06 Health Plan Encounter Data
		b. FQHC / RHC	$943,106	
		c. Prof - Specialist	$1,384,236	
		d. Radiology	$4,190,360	
2.	% of Claims without 34% fee increase		6.4%	Proportion of July 2004-August 2004 Health Plan Encounter Data
3.	34% Fee Increase, Effective September 2004		34.0%	Provided by DMAS, 34% Increase Effective September 2004
4.	Total % Fee Increase, Effective September 2004		2.2%	Provided by DMAS, 34% Increase Effective September 2004 Applied over Proportion of July 2004-August 2004 Encounters
5.	2.5% Fee Increase, Effective July 2006		2.5%	Provided by DMAS, 2.5% increase effective July 2006
6.	Total % Fee Increase		4.7%	= (4.) + (5.) + (4.) * (5.)
7.	Dollar Increase	a. Prof - Maternity	$1,718,128	= (1.) * (6.)
		b. FQHC / RHC	$44,528	
		c. Prof - Specialist	$65,356	
		d. Radiology	$197,846	
8.	Total claims in Service Category	a. Prof - Maternity	$36,393,810	FY05-FY06 Health Plan Encounter Data
		b. FQHC / RHC	$1,328,539	
		c. Prof - Specialist	$2,682,142	
		d. Radiology	$4,841,088	
9.	**OB-GYN Professional Fee Increase Adjustment**	**a. Prof - Maternity**	**4.7%**	= (7.) / (8.)
		b. FQHC / RHC	**3.4%**	
		c. Prof - Specialist	**2.4%**	
		d. Radiology	**4.1%**	

Virginia Medicaid

Exhibit 2c

FY 2008 Capitation Rate Development for FAMIS Moms Program
Health Plan Encounter Data - Program Designation 91
ER Professional Fee Increase Adjustment

			TANF Age 10 and Over	Source
1.	Claims Associated with ER Procedure Codes	a. FQHC / RHC	$22,935	FY05-FY06 Health Plan Encounter Data
		b. Prof - Evaluation & Management	$2,294,520	
2.	% Fee Increase Effective FY07		3.0%	Provided by DMAS
3.	Dollar Increase	a. FQHC / RHC	$688	= (1.) * (2.)
		b. Prof - Evaluation & Management	$68,836	
4.	Total claims in Service Category	a. FQHC / RHC	$1,328,539	FY05-FY06 Health Plan Encounter Data
		b. Prof - Evaluation & Management	$8,043,182	
5.	**ER Professional Fee Increase Adjustment**	**a. FQHC / RHC**	**0.1%**	= (3.) / (4.)
		b. Prof - Evaluation & Management	**0.9%**	

Virginia Medicaid

Exhibit 2d

FY 2008 Capitation Rate Development for FAMIS Moms Program
Health Plan Encounter Data - Program Designation 91
Evaluation and Management Fee Increase Adjustment

			TANF Age 10 and Over	Source
1.	Claims Associated with E&M Procedure Codes	a. FQHC / RHC	$186,114	FY05-FY06 Health Plan Encounter Data
		b. Prof - Evaluation & Management	$7,854,981	
2.	% Fee Increase Effective FY07 for Children		10.25%	Provided by DMAS*
	% Fee Increase Effective FY07 for Adults		5.00%	Provided by DMAS
	% Fee Increase Effective FY08 for Children		10.00%	Provided by DMAS
	% Fee Increase Effective FY08 for Adults		0.00%	Provided by DMAS
3.	Dollar Increase	a. FQHC / RHC	$17,083	
		b. Prof - Evaluation & Management	$676,549	
4.	Total claims in Service Category	a. FQHC / RHC	$1,328,539	FY05-FY06 Health Plan Encounter Data
		b. Prof - Evaluation & Management	$8,043,182	
5.	**E&M Fee Increase Adjustment**	**a. FQHC / RHC**	**1.3%**	= (3.) / (4.)
		b. Prof - Evaluation & Management	**8.4%**	

* Note:
Pediatric services include two 5% (effective 5/1/06 and 7/1/06) for a compounded increase of 10.25%.

Virginia Medicaid

Exhibit 2e

FY 2008 Capitation Rate Development for FAMIS Moms Program
Health Plan Encounter Data - Program Designation 91
Professional Fee Increase Adjustment (Excluding Pediatric and OB-GYN services)

			TANF Age 10 and Over	Source
1.	Claims Associated with Professional Services*	a. Prof - Evaluation & Management	$1,200,475	FY05-FY06 Health Plan Encounter Data
		b. Prof - Specialist	$1,297,905	
		c. All Other Professional Categories	$8,991,003	
2.	% Fee Increase Effective FY08		5.00%	Provided by DMAS
3.	Dollar Increase	a. Prof - Evaluation & Management	$60,024	= (1.) * (2.)
		b. Prof - Specialist	$64,895	
		c. All Other Professional Categories	$449,550	
4.	Total claims in Service Category	a. Prof - Evaluation & Management	$8,043,182	FY05-FY06 Health Plan Encounter Data
		b. Prof - Specialist	$2,682,142	
		c. All Other Professional Categories	$8,991,003	
5.	**Professional Fee Increase Adjustment**	**a. Prof - Evaluation & Management**	**0.7%**	= (3.) / (4.)
		b. Prof - Specialist	**2.4%**	
		c. All Other Professional Categories	**5.0%**	

* Note:
Claims associated with OB-GYN and Pediatric E&M procedure codes have been excluded from this adjustment.

Virginia Medicaid

Exhibit 2f

FY 2008 Capitation Rate Development for FAMIS Moms Program
Health Plan Encounter Data - Program Designation 91
Exempt Infant Formula Carveout Adjustment

		TANF Age 10 and Over	Source
1.	Claims Associated with Exempt Infant Formula	$136	FY05-FY06 Health Plan Encounter Data
2.	Total Claims in DME/Supplies Service Category	$288,886	FY05-FY06 Health Plan Encounter Data
3.	Number of Months Effective*	9	Provided by DMAS
4.	**Exempt Infant Formula Carveout Adjustment**	**-0.04%**	= ((1.) / (2.) +1) ^ ((3.) / 12) - 1

* Note:

Exempt infant formula carveout is effective 10/1/2007 for children ages 6-20.

Virginia Medicaid

Exhibit 2g

FY 2008 Capitation Rate Development for FAMIS Moms Program
Health Plan Encounter Data - Program Designation 91
Other Immunization Adjustments

		TANF Age 10 and Over	Source
1.	Average Members in Rate Cell (Age 10 - 20 Females)	2,075	Provided by DMAS
2.	Assumed Compliance Rate	34.5%	Provided by DMAS
3.	Assumed Penetration	20.0%	Provided by DMAS
4.	Estimated Administration Cost	$22.00	Provided by DMAS
5.	Estimated Serum Cost	$177.36	Provided by DMAS
6.	Dollar Increase	$28,546	= (1.) * (2.) * (3.) * ((4.) + (5.))
7.	Total claims in Prof - Evaluation & Management Service Category	$8,043,182	FY05-FY06 Health Plan Encounter Data
8.	**Other Immunization Adjustments**	**0.4%**	= (6.) / (7.)

Notes (Included Vaccines):

Meningococcal vaccine (age 11-12 and 15); effective December 1, 2005

Virginia Medicaid

Exhibit 2h

FY 2008 Capitation Rate Development for FAMIS Moms Program
Health Plan Encounter Data - Program Designation 91
HPV Vaccine Adjustment

		TANF Age 10 and Over	Source
1.	Average Members in Rate Cell	9,656	Provided by DMAS
2.	Assumed Penetration for Age 10 - 20 Females*	25.0%	
	Assumed Penetration for Age 21 and Over Females*	6.3%	
3.	Estimated Administration Cost for Age 10 - 20 Females	$33.00	Provided by DMAS
	Estimated Administration Cost for Age 21 and Over Females	$58.00	Provided by DMAS
4.	Estimated Serum Cost	$360.00	Provided by DMAS
5.	Dollar Increase	$401,928	
6.	Total claims in Prof - Evaluation & Management Service Category	$8,043,182	FY05-FY06 Health Plan Encounter Data
7.	**HPV Vaccine Adjustment**	**5.0%**	= (5.) / (6.)

*Note:

Assumed penetration is 25% adjusted for the proportion of females in the rate cell who will receive the HPV vaccine.

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Exhibit 2i

FY 2008 Capitation Rate Development for FAMIS Moms Program
Health Plan Encounter Data - Program Designation 91
Hospital Inpatient Adjustments

		Inpatient Medical/Surgical	Inpatient Psychiatric	Source
1.	FY05 Hospital Inpatient Operating Adjustment Factor	71.9%	71.9%	Provided by DMAS
	FY06 Hospital Inpatient Operating Adjustment Factor	76.0%	76.0%	
2.	FY05 Inpatient Claims	$32,634,251	$176,787	FY05-FY06 Health Plan Encounter Data
	FY06 Inpatient Claims	$39,911,686	$232,583	
3.	FY05-06 Hospital Inpatient Operating Adjustment Factor	74.2%	74.2%	Weighted Average of FY05-06
4.	FY08 Hospital Inpatient Operating Adjustment Factor	78.0%	84.0%	Provided by DMAS
5.	FY08 Hospital Capital Percentage	10.8%	10.8%	Provided by DMAS
6.	**Hospital Inpatient Adjustment**	**4.6%**	**11.7%**	= (((4.) / (3.)) * (1 - (5.)) + (5.)) - 1

Virginia Medicaid

FY 2008 Capitation Rate Development for FAMIS Moms Program
Health Plan Encounter Data - Program Designation 91
Rural Wage Index Adjustment

Exhibit 2j

		TANF Age 10 and Over	Source
1.	Estimated Impact of Adjustment	$536,604	Provided by DMAS
2.	Total Claims in IP - Other Service Category	$242,205,664	FY05-FY06 Health Plan Encounter Data (Medallion II statewide)
3.	**Rural Wage Index Adjustment**	**0.2%**	= (1.) / (2.)

Virginia Medicaid

FY 2008 Capitation Rate Development for FAMIS Moms Program
Health Plan Encounter Data - Program Designation 91
Provider Incentive Payment Adjustment

Exhibit 2k

	Adjustment Value	Source
Provider Incentive Payment Adjustment	**0.5%**	From Plan Data

Virginia Medicaid

FY 2008 Capitation Rate Development for FAMIS Moms Program
Health Plan Encounter Data - Program Designation 91
Administrative Cost Adjustment

Exhibit 2I

	Adjustment Value	Source
Administrative Factor	**8.87%**	Based on Plan Data Weighted by member months

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FY 2008 Capitation Rate Development for FAMIS Moms Program
Health Plan Encounter Data - Program Designation 91
Trend and Incurred But Not Reported (IBNR) Adjustments

Exhibit 3

	Age 10 and Over Female			
Category of Service	**IBNR Adjustment**	**Data Period Cost and Utilization Trend**	**Contract Period Cost and Utilization Trend**	**Total Trend & IBNR**
Inpatient Medical/Surgical	0.1%	1.5%	5.5%	1.1017
Inpatient Psychiatric	0.2%	3.0%	3.0%	1.0793
Outpatient Hospital	0.2%	3.5%	7.0%	1.1483
Practitioner	0.2%	-1.0%	1.5%	1.0148
Prescription Drug	0.0%	1.0%	3.5%	1.0635
Other	0.3%	-1.5%	4.0%	1.0482
Weighted Average*	**0.2%**	**0.7%**	**4.1%**	**1.0718**
Months of Trend Applied		12	18	

*Weighted average is calculated using a distribution by Service Type, before Trend (Adjusted FY05-06 Claims)

Trend rates for managed care plans are calculated based on regression studies of historical health plan data.
Trend rates have been calculated separately for the broad service categories shown above. For Inpatient services utilization rates were based on claim/discharge counts. For all other services, regressions were based on PMPM costs.

Data period trend are applied from the midpoint of the data period to the end of the data period using compound interest calculations. Contract period trends are applied from the end of the data period to the midpoint of the contract period using compound interest.

Total Trend = [(1+IBNR Adjustment) * (1 + data period trend) ^ (months/12) * (1 + contract period trend) ^ (months/12)]

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Exhibit 4

FY 2008 Capitation Rate Development for FAMIS Moms Program
Capitation Rate Calculations - Health Plan Encounter Data
Program Designation 91

Age 10 and Over Female						
Statewide	Total Claims FY05-06	Other Adjustments	Adjusted Claims FY05-06	Trend/IBNR Adjustment FY05-06	Completed & Trended Claims FY08	PMPM FY08
Service Type						
DME/Supplies	$288,886	($102)	$288,784	1.015	$293,058	$1.26
FQHC / RHC	$1,328,539	$62,300	$1,390,838	1.015	$1,411,421	$6.09
Home Health	$375		$375	1.148	$431	$0.00
IP - Maternity	$69,419,744	$3,193,288	$72,613,032	1.102	$79,995,531	$345.20
IP - Newborn	$1,057,940	$48,665	$1,106,605	1.102	$1,219,113	$5.26
IP - Other	$2,068,252	$99,721	$2,167,974	1.102	$2,388,389	$10.31
IP - Psych	$409,369	$47,952	$457,322	1.079	$493,585	$2.13
Lab	$1,644,101		$1,644,101	1.048	$1,723,356	$7.44
OP - Emergency Room	$2,528,603		$2,528,603	1.148	$2,903,626	$12.53
OP - Other	$17,786,891		$17,786,891	1.148	$20,424,907	$88.14
Pharmacy	$6,503,604	($243,063)	$6,260,542	1.063	$6,658,001	$28.73
Prof - Anesthesia	$6,177,051	$308,853	$6,485,904	1.015	$6,581,887	$28.40
Prof - Child EPSDT	$249,143	$12,457	$261,600	1.015	$265,471	$1.15
Prof - Evaluation & Management	$8,043,182	$1,235,883	$9,279,065	1.015	$9,416,383	$40.63
Prof - Maternity	$36,393,810	$1,718,128	$38,111,938	1.015	$38,675,944	$166.90
Prof - Other	$1,969,488	$98,474	$2,067,962	1.015	$2,098,565	$9.06
Prof - Psych	$403,213	$20,161	$423,374	1.015	$429,639	$1.85
Prof - Specialist	$2,682,142	$130,251	$2,812,393	1.015	$2,854,013	$12.32
Prof - Vision	$192,108	$9,605	$201,713	1.015	$204,698	$0.88
Radiology	$4,841,088	$197,846	$5,038,935	1.048	$5,281,840	$22.79
Transportation/Ambulance	$971,026		$971,026	1.048	$1,017,835	$4.39
Provider Incentive Payment Adjustment						$4.02
Total	$164,958,555	$6,940,421	$171,898,976		$184,337,693	$799.48
Admin Cost Adjustment						8.87%
Medallion II Capitation Rate						**$877.30**

Virginia Medicaid

FY 2008 Capitation Rate Development for FAMIS Moms Program
Health Plan Encounter Data - Program Designation 91
Summary of FY 2008 Capitation Rate

Exhibit 5a

Aid Category	Age Group	Statewide
TANF PD91	Age 10 and Over Female	$877.30

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Exhibit 5b

FY 2008 Capitation Rate Development for FAMIS Moms Program
Health Plan Encounter Data - Program Designation 91
Comparison of FY 2007 and FY 2008 Capitation Rates

		Statewide		
Aid Category	**Age Group**	**FY 2007**	**FY 2008**	**% Change 2007-2008**
TANF PD91	Age 10 and Over Female	$901.81	$877.30	-2.72%